



Department of Justice

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JUSTICE DEPARTMENT RECOMMENDS TO FCC THAT IT REJECT SBC COMMUNICATIONS' APPLICATION TO PROVIDE LONG DISTANCE IN OKLAHOMA

Justice says SBC's Application is Premature since the Company hasn't Completed Steps to Open Local Telephone Markets to Competition

WASHINGTON, D.C. – The Department of Justice filed comments today with the Federal Communications Commission recommending that the Commission reject an application by SBC Communications to provide long distance service in Oklahoma, because SBC has not yet completed the legally required steps to open local telephone markets in Oklahoma to competition.

"New competitors still don't have a real opportunity to compete in Oklahoma's local telephone markets because SBC hasn't yet implemented several requirements of the 1996 Telecommunications Act," said Joel I. Klein, Acting Assistant Attorney General for the Department's Antitrust Division, in indicating that SBC's application is premature and should be rejected.

"Opening up local markets under the Telecommunications Act will enable consumers to reap the significant benefits that competition will bring--lower prices, higher quality service, and increased service offerings," Klein emphasized.

Klein explained that authorizing SBC to provide long distance service would undermine the objectives of the Act because it has yet to comply fully with the Act's market-opening measures.

Since the break up of the integrated Bell system as part of the AT&T divestiture, the independent Bell Operating Companies, or BOCs, have been barred from providing long distance services in their respective regions, first as part of the Modified Final Judgment in the AT&T case and now under the terms of the Telecom Act.

Under Section 271 of the Act, a BOC, such as SBC, may not provide in-region, long distance services until it demonstrates to the FCC that it has met a variety of legal requirements designed to open the local telephone markets in a particular state to competition.

In considering whether to approve a BOC's application for long distance authority in a particular state, the FCC must consult with the Justice Department and give "substantial weight"

to its assessment as to whether the BOC should be allowed to provide in-region, long distance service.

In its evaluation of SBC's application, the Department concluded that SBC:

- Failed to satisfy requirements under the Act in order to enter into long distance. Specifically, SBC's application should be rejected because no new entrants in Oklahoma are yet providing residential service in competition with SBC, a prerequisite to SBC's long distance entry under the Act.
- Failed to comply fully with the Act's "competitive checklist" requirements that permit competitors to have access to certain SBC facilities and services.
- Failed to demonstrate that SBC's entry into long distance would be consistent with the public interest, in light of SBC's failure to satisfy the Act's market opening measures to enable other companies to compete with SBC for local telephone customers.

In concluding that approval of SBC's application would not be in the public interest, the Department set forth its basic inquiry for evaluating BOC applications for long distance entry.

In essence, the Department will consider an application to be in the public interest when a local market has been "irreversibly opened to competition." This standard, Dr. Marius Schwartz, an economic expert retained by the Department, explained, "strikes a good balance between properly addressing the competitive concerns raised by BOC entry, and realizing the benefits from such entry as rapidly as can be justified in light of those concerns."

In Oklahoma, the Department concluded that SBC did not meet this standard as it has yet to make available the statutorily required facilities and services that it must provide to its competitors who are otherwise willing and able to enter the local market.

SBC filed its application with the FCC on April 11, 1997. Under the terms of the Telecom Act, the FCC must approve or deny the application by July 10, 1997.

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